METRO INC

2001 ANNUAL REPORT

CREATING A RECIPE FOR SUCCESS!

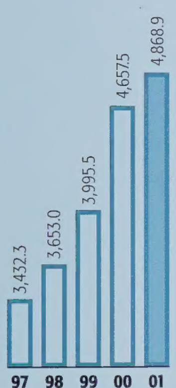
PROFILE

METRO INC. is a leading Canadian food retailer and distributor with operations in Quebec and Ontario. The Company holds the largest market share in the Quebec supermarket and neighbourhood store segments, and the number two position in the discount format. It is a leading distributor in the food service industry and is also active as franchisor for the Brunet and Clini-Plus drugstores. In Ontario, the Company is a major player in the supermarket segment in the Ottawa area and the northern regions of the province.

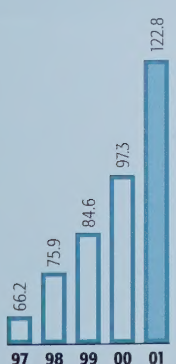
METRO is a performance-driven retail organization that strives to reward shareholders with superior returns. With its employees and those of the affiliated retailers totalling more than 26,000 people, the Company is also a major contributor to the well-being of communities where it is present.

Front cover: Excerpt from a film clip for a 2001 Metro television commercial.

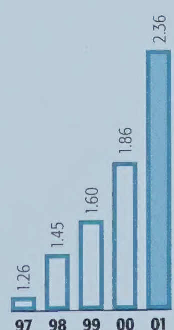
	2001 *52 weeks*	2000 *53 weeks*	Change *percentage*
OPERATING RESULTS *(Millions of dollars)*			
Sales	**4,868.9**	4,657.5	4.5
Operating income	**189.2**	167.0	13.3
Net earnings	**122.8**	97.3	26.2
Cash flows from operating activities	**146.2**	155.9	(6.2)
FINANCIAL STRUCTURE *(Millions of dollars)*			
Total assets	**1,186.0**	1,059.7	11.9
Long-term debt	**55.3**	88.6	(37.6)
Shareholders' equity	**558.0**	461.7	20.9
PER COMMON SHARE *(Dollars)*			
Net earnings	**2.45**	1.94	26.3
Fully diluted net earnings	**2.36**	1.86	26.9
Cash flows from operating activities	**2.92**	3.10	(5.8)
Book value	**11.14**	9.20	21.1
Dividend	**0.345**	0.29	19.0
FINANCIAL RATIOS			
Operating income/sales (%)	**3.9**	3.6	–
Long-term debt/shareholders' equity (xx:1)	**0.10**	0.19	–
Return on shareholders' equity (%)	**24.1**	22.8	–
MARKET PRICE *(Dollars)*			
High	**37.74**	20.65	82.8
Low	**18.00**	14.75	22.0
Closing price	**36.12**	18.95	90.6



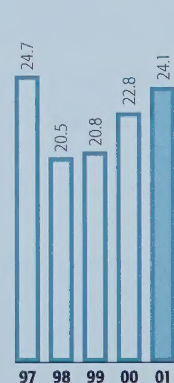
SALES
(Millions of dollars)



NET EARNINGS
(before unusual items)
(Millions of dollars)



FULLY DILUTED NET EARNINGS PER SHARE
(before unusual items)
(Dollars)



RETURN ON SHAREHOLDERS' EQUITY
(Percentage)

Growing our retail network

METRO continued to grow its retail network in fiscal 2001, increasing both floor space and average store size.

METRO super C Loeb MARCHÉ RICHELIEU brunet

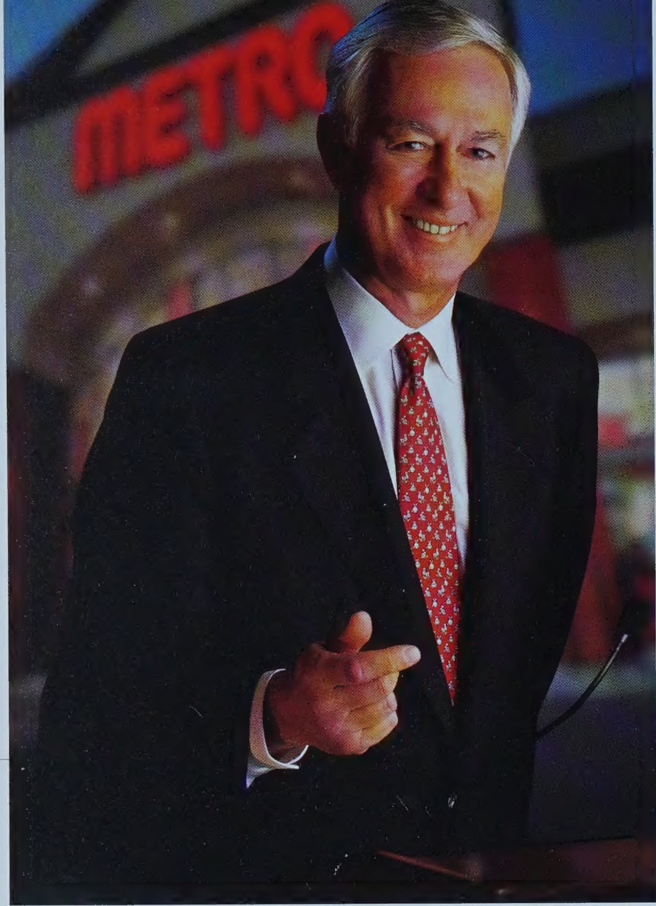
METRO	***2001***	*2000*
Total square footage *(Thousands of square feet)*	**5,200**	5,100
Average store size *(Square feet)*	**20,400**	19,600
Number of stores	**253**	260

SUPER C	***2001***	*2000*
Total square footage *(Thousands of square feet)*	**2,000**	1,900
Average store size *(Square feet)*	**47,500**	47,500
Number of stores	**43**	40

LOEB	***2001***	*2000*
Total square footage *(Thousands of square feet)*	**1,100**	1,000
Average store size *(Square feet)*	**26,500**	25,600
Number of stores	**39**	38

Marché Richelieu	***2001***	*2000*
Total square footage *(Thousands of square feet)*	**800**	800
Average store size *(Square feet)*	**5,200**	5,100
Number of stores	**155**	166

Brunet	***2001***	*2000*
Number of drugstores	**84**	77



Pierre H. Lessard
President and Chief Executive Officer

Creating a winning recipe

We are proud of our 2001 achievements – increased sales, solid earnings growth, and improvements in nearly all financial ratios. We have reached new heights and continue to do so consistently, as demonstrated by this 44th consecutive quarter of year-over-year growth in operating income and by the seventh consecutive year of above 20% return on shareholders' equity, reaching 24.1% in 2001.

Our financial performance reflects the sound execution of a long-term strategy that is anchored by significant annual investments in the retail network, information systems and warehouses, as well as in new store offerings and merchandising programs. While reinvesting the majority of our cash flows to drive internal growth and to position the Company for acquisition opportunities, we have continued to increase annual dividend payments to our shareholders, reaching $0.345 per share in 2001, up 19% over 2000. Despite these investments, we continue to have the strongest balance sheet in the Canadian food industry, with a ratio of debt to shareholders' equity of 0.10 as at September 29, 2001.

RECORD FINANCIAL PERFORMANCE

The fiscal year ended September 29, 2001 consisted of 52 weeks of operations compared with 53 weeks for the year ended September 30, 2000.

Continuing our momentum, 2001 was another record year. Net earnings increased 26.2% to $122.8 million and fully diluted earnings per share rose 26.9% to $2.36. Operating income was up 13.3% to $189.2 million, and sales increased on a comparative basis by 6.8% over 2000.

All retail banners – particularly Metro, Super C and Marché Richelieu in Québec and Loeb in Ontario – contributed to the excellent results, as did the Brunet and Clini-Plus drugstores, as well as the food service division. The performance of individual banners and all divisions demonstrates that our combination of retail formats, merchandising concepts and competitive prices satisfies the needs of a growing number of consumers.

Furthermore, our financial results reflect our passion for innovation and ability to adapt to change. Determined to be leaders in our markets, we have evolved steadily over the past decade. All sectors contributed to the Company's sales increase during this exceptional period of growth and value creation for our shareholders.

Our expertise is in food retailing and distribution and we will continue to develop these sectors. All of the products and complementary services in our stores support our objective of offering consumers the most enjoyable and worthwhile shopping experience.

Maurice Jodoin
Chairman of the Board of Directors

SUCCESSFUL LONG-TERM STRATEGY

Over the past decade, with the retailers we have invested over $1 billion in our retail and distribution networks, as well as in state-of-the-art information technology. Today our stores and systems are among the most modern and leading-edge, providing METRO with a powerful platform for implementing merchandising strategies that respond to the lifestyle of today's consumers.

In 2001, $125.2 million was reinvested in the retail network for store renovations and expansion and for new stores, including $45.3 million by the affiliated retailers. Again this year, METRO increased its total retail floor space and average floor space per store. Further investments of $125 million are planned for fiscal 2002.

Another $39.4 million was invested in 2001 to further strengthen our distribution capabilities, in terms of both physical assets and critical information systems. We are now in the final stage of completing the implementation of SAP/EXE software across all divisions. By providing high-level training to employees who use these systems, we have quickly increased operational efficiency and flexibility. Many business processes have been, or will be, enhanced as a result and we expect to reap significant benefits from this major investment in the years ahead.

On the merchandising front, we have launched a broad initiative to accelerate the development of our private label program. We believe this initiative will enable us to increase profitability and build customer loyalty through product differentiation. Our objective is to double the number of private label products over the next few years, concentrating on our two in-house brands – Merit Selection and Super C.

This is our winning recipe!

VALUED PARTNERS

Our growth and market leadership rest on many key factors. The experience, commitment and creativity of our management teams and of our retailers are certainly the most important. We take this opportunity to pay special tribute to the retailers, who are our everyday partners in our quest for continued growth in a rapidly changing food industry.

ACKNOWLEDGEMENTS

We welcome two new members to the Board of Directors, Pierre Brunet and Paule Gauthier. We take this opportunity to extend our thanks to three directors who contributed to the Company over many years and who will complete their term on the Board at the 2002 Annual Meeting: Raymond David, who is now over the age decreed in our by-laws to stand for re-election, and Yves LeBel and Guy Lussier who have both opted not to allow their name to stand for re-election.

We also extend our sincere appreciation to all members of the METRO team, especially the more than 26,000 employees who serve the everyday needs of our customers, and to our shareholders for their vote of confidence.

Pierre H. Lessard, FCA
President and Chief Executive Officer

Maurice Jodoin, CFA
Chairman of the Board of Directors

Designing successful stores

METRO strives for leadership in each of its market segments by continuously reinvesting to remodel stores, expand the retail network and introduce new concepts, products and services to satisfy the changing lifestyles and needs of its customers. In 2001, investments in the store network by the Company and the affiliated retailers totalled $125.2 million.

In the supermarket segment, the Metro banner is the Québec leader, with the highest revenues and the largest market share. Over the past ten years, the Metro banner has grown steadily and sales have increased by more than 50%. This momentum continued in 2001 with the construction, relocation, expansion and remodeling of 34 stores. Metro supermarkets are known for their handy locations, layout and friendly environment, as well as their many in-store boutiques and stands, all designed to make the shopping experience as pleasant as possible.

Super C, the fastest-growing discount food chain in Québec, complements the Metro network. With 43 stores and sales of $1.1 billion, its market share exceeded 9% at the end of 2001. Super C's large surface stores are recognized for offering variety and quality products at low prices.

Since their acquisition in 1999, Loeb supermarkets in Ontario have been undergoing a major modernization. By the end of 2001, nine stores were converted to a new concept developed by the Company's management team and two new stores were added, in Ottawa and New Liskeard. More than half of the supermarkets are concentrated in the Ottawa area, making Loeb a major player in Ontario's second largest city.

Marché Richelieu is the leading banner in the Québec neighbourhood retail segment, based on the number of stores, sales and market share. Well-established in their communities, these stores cater to consumers seeking personalized service in a friendly environment.

The Company and the retailers will continue in the coming years to reinvest in remodeling, expanding and building new stores in order to offer consumers one of the most modern retail networks in Canada.

Offering quality products

The ability to offer a wide selection of quality products that meets consumer needs is a key success factor in the highly competitive food retailing industry. For this reason, METRO is focused on offering the best products in a friendly environment, as well as personalized service. A new structure, based on product category management, has been implemented to ensure that all store offerings satisfy customer needs in every respect. For each product category, a specialized team is responsible for keeping METRO at the forefront of market trends and consumer tastes.

MERIT Selection MERITE

The launch of EXPRESS meats, complemented by our *Viandes & Idées* section, illustrates our innovation. This new line of exclusive meat products is designed to meet the needs of consumers who lead busy lifestyles. EXPRESS meats are cut, immediately skin-packed and frozen. At home, the meat packages can be defrosted and cooked in a matter of minutes, with their full flavour intact. Guaranteed quality and freshness, all the time!

To differentiate its store offerings, METRO is focusing increasingly on the development of its Merit Selection and Super C brands. Our recent surveys indicate that 83% of consumers view Merit Selection as being equal or superior to major national brands.

As part of the continuous improvement of its Merit Selection brand, METRO will launch, in the winter of 2002, The Irresistibles, a new line of premium quality and competitively priced products. Developed by METRO's Chef and his team, and inspired by the most popular culinary trends, these unique value-added products are designed to make life easier for modern families unwilling to make compromises in their everyday meals. From gourmet crackers to salmon coulibiac, orange and cranberry cake, and fine cheese, this product line has everything required to prepare a healthy and tasty meal in no time!

In response to emerging demand for biological products, a growing number of stores is offering a wider selection of these promising products. For METRO, this is another way of showing its ability to adapt to new consumer trends.

Providing outstanding service every day

The quality of customer service is another differentiating factor at METRO. Whether in a large or small format store, regardless of the banner, customers can always expect top quality service. Satisfaction is the primary mission of store employees. METRO makes the shopping experience thoroughly enjoyable for all its customers with a welcoming decor, quality products and special attention to detail.

As a growing number of consumers look for new meal ideas, Metro has begun introducing chefs in supermarkets. From strategically positioned and fully-equipped counters, the chefs prepare original dishes for customers to sample. Metro chefs are attuned to current culinary trends and take pleasure in answering questions and making suggestions for innovative recipes, featuring either the most common products or exotic ingredients found in the supermarket. To further enhance this service, Metro also publishes tasty and easy-to-prepare recipes in its weekly flyer.

All store employees, from the fish counter to the produce department, have been trained at the METRO School for Professionals and are prepared to answer questions on their products and on how they can be incorporated into recipes. The **www.metro.ca** web site offers information and recipes, and is constantly improved and updated.

BRUNET AND CLINI-PLUS DRUGSTORES FOCUS ON SERVICE

Attention to customer service is also the hallmark of Brunet and Clini-Plus drugstores. When it comes to medication, customers need precise and easily accessible information on dosage, potential side effects and interaction with other medication. Pharmacists who are affiliated with Brunet and Clini-Plus spare no effort in answering questions and informing customers on the proper use of medications.

HIGHLIGHTS

The fiscal year ended September 29, 2001 consisted of 52 weeks of operations, compared with 53 weeks for the year ended September 30, 2000.

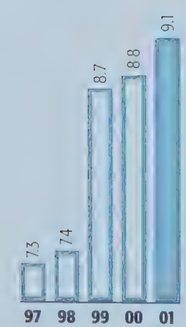
Compared with fiscal year 2000,

- Sales were 4.5% higher, or 6.8% on a comparative basis, and reached $4,868.9 million.
- Earnings before interest, taxes, depreciation and amortization increased 14.2% to $250.6 million.
- Operating income rose 13.3% to $189.2 million and the operating margin improved to 3.9% compared with 3.6%.
- Net earnings increased 26.2% to $122.8 million and fully diluted net earnings per share rose 26.9% to $2.36.
- Return on shareholders' equity reached 24.1% compared with 22.8%.

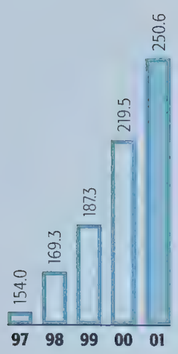
SALES

Sales for 2001 reached $4,868.9 million, compared with $4,657.5 million for the previous year, an increase of 4.5%. On a comparable 52-week basis, the growth in sales was 6.8%. This growth reflects our ongoing investment in the retail network as well as our successful merchandising strategies.

Investments in the retail network totalled $125.2 million in 2001, including $45.3 million by affiliated retailers, resulting in a gross increase of 481,400 square feet. Major renovations and expansions were completed in 44 stores, while 10 stores were built, including two new Loeb supermarkets in Ontario. Total retail space increased by 3.4% to 9.1 million square feet at year-end, despite some store closings, and average floor space per store rose 6.1%.



TOTAL SQUARE FOOTAGE
(Millions of square feet)



Earnings Before Interest, Taxes, Depreciation and Amortization
(Millions of dollars)

OPERATING INCOME

Earnings before interest, taxes, depreciation and amortization increased by 14.2% to $250.6 million, compared with $219.5 million in 2000. This represents 5.1% of sales, compared with 4.7% for the previous year.

Operating income was $189.2 million, compared with $167.0 million for 2000, an increase of 13.3%. The operating margin rose to 3.9% of sales in 2001 from 3.6% in 2000. This improvement reflects a combination of factors such as sales growth and continuous improvements in operational efficiency, including the positive impact of the SAP/EXE software implementation and centralized purchasing.

The operating margin for Loeb stores improved significantly for 2001, with the construction of two supermarkets and the conversion of six stores to a new retailing concept, following three such conversions in 2000. As additional Loeb stores are converted, this division's performance is expected to improve towards the average operating margin for the Company as a whole.

FINANCING COSTS

Financing costs declined $4 million, or 43.5%, to $5.2 million compared with $9.2 million in 2000. This decrease was achieved despite higher investing activities and reflects debt reduction compared with the previous year. Financing costs declined to 0.11% of sales, compared with 0.20% in 2000. The average cost of financing was 5.81% in 2001, the same as in 2000, while the interest coverage ratio was 36.4 times, compared with 18.1 times in 2000.

INCOME TAXES

The effective income tax rate for 2001 was 33.3%, compared with 38.3% for the previous year. This reduction mainly reflects the reductions in the federal income tax rates on future income taxes of 1% in January 2001 and 2% for each of the following three years. Federal income tax reductions on future income taxes represent $0.12 per share in 2001.

NET EARNINGS

Net earnings totalled $122.8 million, compared with $97.3 million in 2000, a 26.2% increase. Net earnings as a percentage of sales were 2.5%, compared with 2.1% in 2000. Fully diluted net earnings per share rose 26.9% to $2.36, compared with $1.86 in 2000. Return on shareholders' equity was 24.1%, compared with 22.8% in 2000.

Per share amounts are calculated on a weighted average number of 50.1 million shares outstanding for 2001, compared with 50.2 million shares for the previous year.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintained a solid financial position in 2001, while pursuing its retail investment program and information technology implementation.

CASH FLOWS

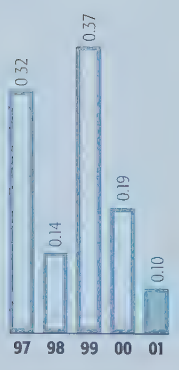
Cash flows from operating activities remained strong for 2001 at $146.2 million, or $2.92 per share, reflecting increased operating income. This compares with $155.9 million, or $3.10 per share in 2000, a decline resulting from the increase in non-cash working capital required in 2001 to support sales growth.

Investing activities required cash of $109.1 million in 2001, mainly for capital expenditures related to store modernization and network expansion, as well as the implementation of information technologies. In 2000, investing activities required cash of $63.6 million. During 2001, the Company continued to deploy SAP/EXE integrated software, with implementations in LOEB warehouses as well as in the fresh produce warehouses. The last phase of this major multi-year initiative began at the end of the fiscal year and involves the meat, fish and seafood warehouses. By providing sophisticated management information, the SAP/EXE software enables significant operational efficiencies in purchasing, warehousing, and merchandising activities. In 2001, the new system facilitated, among other things, the centralization of purchasing for all retail banners. Further efficiency improvements are expected in future years as a result of these systems.

Cash required for financing activities was $37.1 million. This net liquidity is comprised principally of the repayment of long-term debt, dividend payouts and an increase in bank loans. The Company also redeemed 298,100 Class A Subordinate Shares under its normal course issuer bid program. The shares were acquired at an average price of $21.28, for a total consideration of $6.3 million. The Company considers share redemption to be an appropriate and effective use of surplus funds. The exercise of 537,144 stock options settled in cash required a cash payment of $9.4 million before income taxes.

BALANCE SHEET

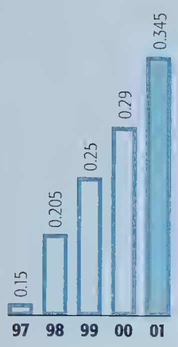
Long-term debt declined by $33.3 million to $55.3 million compared with $88.6 million at the end of 2000, while shareholders' equity increased by $96.3 million to $558 million. The ratio of long-term debt to shareholders' equity, which stood at 0.19 at the beginning of the year, improved significantly to 0.10 as at September 29, 2001.



LONG-TERM DEBT/ SHAREHOLDERS' EQUITY
(xx:1)

The Company's long-term debt consists primarily of term bank loans that bear interest at market rates. As at September 29, 2001, the Company did not have recourse to derivative instruments to hedge interest rate risks and, therefore, benefited from the decline in borrowing costs throughout the year.

The Company expects to meet its 2002 financial requirements mainly through internally generated cash and, as needed, by drawing on available credit facilities. It has in place a borrowing capacity under a term credit facility amounting to $300 million from a syndicate of financial institutions. At the end of fiscal 2001, unused credit under such facility totalled $255 million. Operating credits are also available to the Company.



Dividend Rate Per Share
(Dollars)

CAPITAL STOCK

As at September 29, 2001, the number of outstanding Class A Subordinate Shares was 49,464,501 and the number of Class B Multiple Vote Shares was 618,120 compared with 49,094,693 and 1,112,600 shares, respectively, at the end of the previous year. The large decrease in the number of Class B Multiple Vote Shares issued reflects the new commercial program for the affiliated retailers. Under the new commercial program implemented by the Company, affiliated retailers are no longer required to hold Class B Multiple Vote Shares in order to operate a store under the Metro banner. At the end of fiscal 2001, 92 affiliated retailers had converted their Class B Multiple Vote Shares into an equal number of Class A Subordinate Shares.

DIVIDENDS AND DIVIDEND POLICY

Dividends were paid to shareholders for the seventh consecutive year, totalling $0.345 per share for 2001, compared with $0.29 per share in 2000, a 19% increase. The Company's policy is to pay an annual dividend equal to 15-20% of the previous year's net earnings before extraordinary items.

SHARE TRADING

In the past year, METRO shares traded in a range between $18.00 and $37.74 on the Toronto Stock Exchange, with a total volume of 25.4 million shares traded. The closing price on Friday, September 28, 2001 was $36.12, an increase of 90.6% relative to the price of $18.95 on the last Friday of the previous year.

ACCOUNTING POLICY CHANGES SUBSEQUENT TO YEAR-END

The Canadian Institute of Chartered Accountants (CICA) issued two new accounting standards, Section 1581 "Business Combinations" and Section 3062 "Goodwill and Other Intangible Assets". These standards are effective for fiscal years beginning on or after January 1, 2002, and certain guidelines were applicable on July 1, 2001. These standards may be applied on a prospective basis for fiscal years beginning after April 1, 2001, and the Company will adopt them in full for its first quarter of 2002.

Under these standards, all business combinations are to be accounted for using the purchase method, and goodwill will no longer be amortized but instead will be tested annually for impairment. For business combinations recorded prior to July 1, 2001, goodwill and related indefinite-life intangible assets will no longer be amortized but rather submitted to an impairment test to ensure that their fair value is superior or equal to book value. Amounts in excess of book value will be accounted for in results of operations. Applied on a prospective basis, the new recommendations will reduce the Company's amortization expense by $5.9 million ($4.4 million after taxes) in 2002 compared with 2001. According to management's estimates, the impairment test will not result in a decrease in goodwill.

The CICA has also issued another accounting standard, Section 3500 "Earnings Per Share", applicable to fiscal years beginning on or after January 1, 2001.

As required by this standard, the Company will change the way it calculates diluted earnings per share by using the treasury stock method instead of the imputed earnings approach. The Company will adopt this standard for the first quarter of 2002 and will restate earnings per share of past quarters.

RISK MANAGEMENT

Existing competition and the possibility of new players represent risks that could impact the Company's market share and profitability. To maintain its leadership in Québec and to continue its growth in Ontario, the Company has developed a successful market segmentation strategy, supported by dynamic merchandising strategies, significant ongoing investment in its retail network, and efficient warehouse and distribution systems. Since their acquisition in 1999, Loeb stores are being progressively converted to a new retailing concept that is improving operating margins. The Company and the affiliated retailers plan investments of over $350 million in the next three years to maintain one of the most modern retail and distribution networks in the Canadian industry.

The Company strives to differentiate itself through innovative merchandising programs adapted to its various banners and consumer segments. Its competitive position is reinforced by the development of private label products that account for a growing proportion of sales. The quality of the Company's in-store teams is another significant asset, nurtured by training programs provided by the METRO School for Professionals to ensure that employees and merchants are responsive to changing consumer needs and market trends.

OUTLOOK

Over the coming years, the Company will continue to capitalize on its recognized merchandising ability, a consumer-responsive offering and ongoing investments in its retail network. It also expects to derive benefits from its recent information technology investments, while maintaining tight cost controls in all aspects of its operations.

The Company expects to pursue its growth in 2002 based on a full contribution from recently renovated or expanded stores and from new stores. Confident in its competitive position, the Company will respond to short-term challenges while remaining focused on its long-term vision. It will also continue to seek opportunities to expand its share of the Canadian food market.

Serge Gadbois

L.G. Serge Gadbois, FCA
Senior Vice-President, Finance

Montréal, November 2, 2001

QUARTERLY HIGHLIGHTS

(Millions of dollars, except for earnings per share)

	Q1 (1)	Q2 (1)	Q3 (2)	Q4 (3)	Year
YEAR ENDED SEPTEMBER 29, 2001					
Sales	**1,135.6**	**1,050.4**	**1,536.9**	**1,146.0**	**4,868.9**
Operating income	**40.6**	**41.5**	**61.9**	**45.2**	**189.2**
Net earnings	**24.7**	**30.7**	**38.1**	**29.3**	**122.8**
Fully diluted net earnings per share	**0.47**	**0.60**	**0.73**	**0.56**	**2.36**
Year ended September 30, 2000					
Sales	1,076.7	1,002.2	1,413.8	1,164.8	4,657.5
Operating income	35.5	35.9	52.6	43.0	167.0
Net earnings	20.6	20.6	30.3	25.8	97.3
Fully diluted net earnings per share	0.39	0.40	0.58	0.49	1.86
Year ended September 25, 1999					
Sales	902.8	854.1	1,218.5	1,020.1	3,995.5
Operating income	31.4	31.7	46.0	33.9	143.0
Net earnings before unusual items	18.7	18.7	27.3	19.9	84.6
Net earnings	18.7	18.7	27.3	11.7	76.4
Fully diluted net earnings per share before unusual items	0.35	0.36	0.51	0.38	1.60
Fully diluted net earnings per share	0.35	0.36	0.51	0.23	1.45

(1) 12 weeks
(2) 16 weeks
(3) 12 weeks in 2001 and 1999 / 13 weeks in 2000

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of METRO INC. and financial information contained in this Annual Report are the responsibility of management. This responsibility is based on a judicious choice of accounting procedures and principles, the application of which requires the informed judgment of management. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and were approved by the Board of Directors. In addition, the financial information included in the Annual Report is consistent with that in the consolidated financial statements.

METRO INC. maintains accounting and administrative control systems which, in the opinion of management, ensure reasonable accuracy, relevance and reliability of financial information and well-ordered, efficient management of the Company's affairs.

The Board of Directors is responsible for approving the consolidated financial statements included in the Annual Report, primarily through its Audit Committee. This Committee, which holds periodic meetings with members of management as well as internal and external auditors, reviewed the consolidated financial statements of METRO INC. and recommended their approval to the Board of Directors.

The enclosed consolidated financial statements were audited by Ernst & Young LLP, Chartered Accountants, and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

PIERRE H. LESSARD, FCA
PRESIDENT AND CHIEF EXECUTIVE OFFICER

L.G. SERGE GADBOIS, FCA
SENIOR VICE-PRESIDENT, FINANCE

Montréal, November 2, 2001

AUDITORS' REPORT

To the Shareholders of METRO INC.

We have audited the consolidated balance sheets of METRO INC. as at September 29, 2001, September 30, 2000 and September 25, 1999, and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 29, 2001, September 30, 2000 and September 25, 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

ERNST & YOUNG LLP
CHARTERED ACCOUNTANTS

Montréal, November 2, 2001

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended September 29, 2001
(Millions, except for earnings per share)

	2001 *52 weeks*	2000 *53 weeks*	1999 *52 weeks*
SALES	**$ 4,868.9**	$ 4,657.5	$ 3,995.5
Cost of sales and operating expenses	**4,618.3**	4,438.0	3,808.2
Depreciation and amortization *(note 3)*	**61.4**	52.5	44.3
	4,679.7	4,490.5	3,852.5
OPERATING INCOME	**189.2**	167.0	143.0
Financing costs			
Short-term	**0.6**	0.7	0.2
Long-term	**4.6**	8.5	5.7
	5.2	9.2	5.9
EARNINGS BEFORE INCOME TAXES AND UNUSUAL ITEMS	**184.0**	157.8	137.1
Unusual items *(note 4)*	**–**	–	15.0
EARNINGS BEFORE INCOME TAXES	**184.0**	157.8	122.1
Income taxes *(note 5)*	**61.2**	60.5	45.7
NET EARNINGS	**$ 122.8**	$ 97.3	$ 76.4
EARNINGS PER SHARE *(note 4)*			
Basic	**$ 2.45**	$ 1.94	$ 1.51
Fully diluted	**$ 2.36**	$ 1.86	$ 1.45
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**50.1**	50.2	50.5

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year ended September 29, 2001
(Millions of dollars)

	2001 *52 weeks*	2000 *53 weeks*	1999 *52 weeks*
BALANCE AT BEGINNING OF YEAR	**$ 301.6**	$ 233.0	$ 183.6
Adjustment due to adoption of new accounting standards: income taxes and employee future benefits	**–**	(7.1)	–
RESTATED BALANCE AT BEGINNING OF YEAR	**301.6**	225.9	183.6
Net earnings	**122.8**	97.3	76.4
Dividends	**(17.3)**	(14.6)	(12.6)
Share redemption premium	**(5.4)**	(3.2)	(9.7)
Stock options settled in cash, net of income taxes	**(6.0)**	(3.8)	(4.7)
BALANCE AT END OF YEAR	**$ 395.7**	$ 301.6	$ 233.0

See accompanying notes

CONSOLIDATED BALANCE SHEETS

As at September 29, 2001
(Millions of dollars)

	2001	2000	1999
ASSETS			
CURRENT			
Accounts receivable	**$ 236.1**	$ 186.3	$ 177.7
Income taxes recoverable	**10.3**	–	–
Inventories	**242.0**	221.8	195.7
Prepaid expenses	**3.0**	4.3	1.2
Future income taxes *(note 5)*	**13.1**	9.4	–
	504.5	421.8	374.6
Investments and other assets *(note 6)*	**28.3**	23.1	26.9
Future income taxes *(note 5)*	**–**	7.8	–
Capital assets *(note 7)*	**481.9**	430.9	413.9
Goodwill	**171.3**	176.1	180.8
	$ 1,186.0	$ 1,059.7	$ 996.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Bank loans *(note 8)*	**$ 31.7**	$ 1.7	$ 12.6
Accounts payable	**455.4**	427.6	387.8
Income taxes payable	**–**	12.0	19.7
Current portion of long-term debt *(note 8)*	**5.0**	6.3	4.9
	492.1	447.6	425.0
Long-term debt *(note 8)*	**55.3**	88.6	144.2
Future income taxes *(note 5)*	**80.6**	61.8	–
Deferred income taxes	**–**	–	34.7
	628.0	598.0	603.9
SHAREHOLDERS' EQUITY			
Capital stock *(note 9)*	**162.3**	160.1	159.3
Retained earnings	**395.7**	301.6	233.0
	558.0	461.7	392.3
	$ 1,186.0	$ 1,059.7	$ 996.2

See accompanying notes

On behalf of the Board:

PIERRE H. LESSARD
Director

GILLES LAMOUREUX
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended September 29, 2001
(Millions of dollars)

	2001 *52 weeks*	2000 *53 weeks*	1999 *52 weeks*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	**$ 122.8**	$ 97.3	$ 76.4
Items not requiring cash flows			
Equity earnings in a company subject to significant influence	**(3.5)**	(2.5)	(2.0)
Depreciation and amortization	**61.4**	52.5	44.3
Losses (gains) on disposal and writeoffs of capital assets	**5.1**	4.9	(0.9)
Future taxes/deferred income taxes	**22.9**	10.3	4.8
Excess of amounts paid for employee future benefits over expenses recognized	**(1.5)**	(0.6)	(1.4)
	207.2	161.9	121.2
Net change in non-cash working capital related to operations	**(61.0)**	(6.0)	72.7
	146.2	155.9	193.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Business acquisition *(note 2)*	**–**	–	(157.0)
Net change in investments	**(2.4)**	(0.4)	1.5
Net purchase of capital assets *(note 7)*	**(106.7)**	(63.2)	(81.5)
	(109.1)	(63.6)	(237.0)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in bank loans	**30.0**	(10.9)	(20.5)
Issue of capital stock	**3.1**	1.5	2.2
Redemption of subordinate shares	**(6.3)**	(3.9)	(11.6)
Stock options settled in cash	**(6.0)**	(3.8)	(4.7)
(Decrease) increase in long-term debt	**(40.6)**	(60.6)	90.3
Dividends paid	**(17.3)**	(14.6)	(12.6)
	(37.1)	(92.3)	43.1
NET CHANGE IN CASH AND CASH EQUIVALENTS AND BALANCES AT BEGINNING AND END OF YEAR	**$ –**	$ –	$ –
OTHER INFORMATION			
Interest paid	**$ 4.5**	$ 9.6	$ 5.4
Income taxes paid	**$ 57.2**	$ 55.4	$ 7.3

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and the accompanying notes. Actual results could differ from these estimates. According to management, the Company's consolidated financial statements have been properly prepared within the reasonable limits of materiality and in conformity with the accounting policies summarized below:

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances available, if any, after allocation to cheques in transit and to demand bank loans, and highly liquid investments with an initial term of three months or less that are stated at cost, which approximates market value.

Inventory valuation

Wholesale inventories are valued at the lower of cost, determined by the average cost method, and net realizable value.

Retail inventories are valued at the retail price less the gross margin.

Investments

Investments in companies subject to significant influence are accounted for using the equity method. Other investments are recorded at cost.

Capital assets

Capital assets are recorded at cost and are depreciated on a straight-line basis over their useful lives.

Buildings	40 years
Equipment	4 to 20 years
Leasehold improvements	Terms of the leases (5 to 40 years)
Leasehold rights	Terms of the leases (30 to 40 years)
Improvements and development of retail network loyalty, software and other	5 to 15 years

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is amortized on a straight-line basis over a useful life not exceeding 40 years.

Decline in long-term asset value

The Company evaluates the carrying value of its long-term assets on a regular basis. To determine whether there has been an impairment in value, management evaluates on an annual basis the undiscounted estimated cash flows that assets will generate and also takes other relevant factors into account. Any permanent decline in the carrying value of assets is charged to income in the year in which such a decline is recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee future benefits

The Company accounts for its obligations under the employee benefits plans and related costs, net of the plan assets. The cost of pension and other retirement benefits earned by employees is determined from actuarial calculations according to the projected benefit method prorated on services based on management's best estimate assumptions about the investment returns on the plans, salary projections, the retirement age of employees and estimated health-care costs. For the purpose of calculating the estimated rate of return on the plan assets, assets are assessed at fair value. The excess of the net actuarial gain (loss) over 10% of accrued benefit obligations, or over 10% of the fair value of the plan assets where such amount is higher, is amortized over the average remaining service life of employees.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities recorded in the financial statements. Future tax assets and liabilities are measured using the tax rates that are expected to be in effect in the years when the timing differences are expected to be reduced. Changes in these balances are charged to income of the year in which they arise.

Stock option plan

No equity sharing expense is recognized when stock options are issued to employees under the Company's stock option plan. Any consideration paid by employees on the exercise of stock options is credited to capital stock. If employee stock options are redeemed by the Company, the amount paid net of related taxes is debited against retained earnings.

Earnings per share

Earnings per share is calculated on the weighted average number of Class A Subordinate Shares and Class B Shares outstanding during the year. The fully diluted earnings per share takes into account all the elements that have a dilutive effect.

Fiscal year

The Company's fiscal year ends on the last Saturday of September. The fiscal year ended September 29, 2001 includes 52 weeks of operations. The fiscal years ended September 30, 2000 and September 25, 1999 include 53 and 52 weeks of operations respectively.

2. BUSINESS ACQUISITION

On June 19, 1999, the Company acquired 29 supermarkets, the rights to 11 franchisees, two distribution centres and rights to the Loeb banner, for a cash consideration of $125. In relation to this acquisition, the Company acquired wholesale and retail store inventories as well as some net assets, excluding the balance due to suppliers, for an additional cash consideration of $26.2. This acquisition has been accounted for using the purchase method and results of operations have been included from the date of acquisition. Following this acquisition, goodwill in the amount of $87.1 has been recorded.

3. DEPRECIATION AND AMORTIZATION

	2001	2000	1999
Capital assets	**$ 55.5**	$ 46.4	$ 39.8
Goodwill	**5.9**	6.1	4.5
	$ 61.4	$ 52.5	$ 44.3

4. UNUSUAL ITEMS

Unusual items for the year ended September 25, 1999 consist in integration and restructuring expenses. Net earnings, basic earnings per share and fully diluted earnings per share before unusual items, net of income taxes, were $84.6, $1.68 and $1.60 respectively.

5. INCOME TAXES

	2001	2000	1999
Payable	**$ 38.3**	$ 50.2	$ 40.9
Future/deferred			
Variation in timing differences	**28.9**	11.4	4.8
Impact of tax rate changes	**(6.0)**	(1.1)	–
	$ 61.2	$ 60.5	$ 45.7

The effective income tax rate was as follows for the year ended September 29, 2001:

	2001	2000	1999
Combined statutory income tax rate	**37.6%**	38.2%	38.5%
Changes			
Non-deductible goodwill	**0.6**	0.7	0.8
Impact of tax rate changes on future taxes	**(3.3)**	(0.7)	–
Other	**(1.6)**	0.1	(1.9)
	33.3%	38.3%	37.4%

5. INCOME TAXES (cont'd)

Future taxes reflect the net tax impact of timing differences between the value of assets and liabilities for accounting and tax purposes. The main components of the Company's future tax assets and liabilities as at September 29, 2001 were as follows:

	2001	2000
FUTURE TAX ASSETS		
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	**$ 9.0**	$ 9.4
Deferred tax losses	**4.1**	7.8
	13.1	17.2
FUTURE TAX LIABILITIES		
Accumulated equity earnings from companies subject to significant influence	**(2.6)**	(2.9)
Excess of net book value of capital assets and other assets over their value for tax purposes	**(78.0)**	(58.9)
	(80.6)	(61.8)
	$ (67.5)	$ (44.6)

6. INVESTMENTS AND OTHER ASSETS

	2001	2000	1999
Investment at equity in a public company operating in the food industry (quoted market value: 2001 - $108.2; 2000 - $52.5; 1999 - $49.7)	**$ 19.7**	$ 16.2	$ 13.7
Investments in private companies, at cost	**1.7**	1.7	1.7
Loans bearing interest at floating rates	**6.5**	4.1	3.7
	27.9	22.0	19.1
Current portion included in receivables	**2.3**	0.1	0.4
	25.6	21.9	18.7
Accrued pension benefit assets *(note 12)*	**2.7**	1.2	8.2
	$ 28.3	$ 23.1	$ 26.9

7. CAPITAL ASSETS

	2001			2000			1999
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value	Net book value
TANGIBLE ASSETS							
Land	**$ 37.4**	**$ –**	**$ 37.4**	$ 29.3	$ –	$ 29.3	$ 28.2
Buildings	**134.7**	**47.4**	**87.3**	122.4	43.6	78.8	79.5
Equipment	**289.1**	**146.8**	**142.3**	271.4	145.4	126.0	129.2
Leasehold improvements	**113.2**	**54.5**	**58.7**	104.3	53.6	50.7	49.5
	574.4	**248.7**	**325.7**	527.4	242.6	284.8	286.4
INTANGIBLE ASSETS							
Leasehold rights	**54.8**	**16.9**	**37.9**	53.6	15.2	38.4	40.1
Improvements and development of retail network loyalty, software and other	**197.0**	**78.7**	**118.3**	170.9	63.2	107.7	87.4
	251.8	**95.6**	**156.2**	224.5	78.4	146.1	127.5
	$826.2	**$344.3**	**$481.9**	$ 751.9	$ 321.0	$430.9	$ 413.9

The net acquisitions under capital leases and other acquisitions of assets excluded from the statement of cash flows totalled $6.0, $6.4 and $7.2 in 2001, 2000 and 1999 respectively.

8. LONG-TERM DEBT

	2001	2000	1999
Term bank loans bearing interest at 4.3% (2000 - 6.6%, 1999 - 5.4%)	**$ 45.0**	$ 80.0	$ 135.0
Other loans, maturing on various dates, bearing interest at 5.4% (2000 - 6.2%, 1999 - 5.4%)	**7.8**	8.4	4.9
Capital lease obligations bearing interest at an average rate of 5.6%, maturing on various dates until 2005	**7.5**	6.5	9.2
	60.3	94.9	149.1
Current portion	**5.0**	6.3	4.9
	$ 55.3	$ 88.6	$ 144.2

The Company has a demand credit facility of $25 and term credit facilities amounting to $300, of which $15.8 and $45 respectively were used as at September 29, 2001. These are unsecured facilities that bear interest based on market rates. The term credit facilities mature between June 17, 2002 and June 17, 2006. The loan of $45 as at September 29, 2001 was derived from a credit facility, the outstanding balance of which as at June 17, 2002 will be refundable in three equal annual instalments on June 17, 2004, 2005 and 2006.

Minimum payments required on the long-term debt over the next five years are as follows: $4.0 in 2002, $5.4 in 2003, $17.0 in 2004, $16.6 in 2005, $15.6 in 2006 and $2.4 in 2007 and subsequently. These minimum payments include interest of $0.7 on the capital lease obligations.

9. CAPITAL STOCK

AUTHORIZED

Unlimited number of First Preferred Shares, non-voting, without par value, issuable in series.

Unlimited number of Class A Subordinate Shares, bearing one voting right per share, participating, convertible into Class B Shares in case of a takeover bid on Class B Shares, without par value.

Unlimited number of Class B Shares, bearing 16 voting rights per share, participating, convertible in case of disqualification into an equal number of Class A Subordinate Shares on the basis of one Class A Subordinate Share for each Class B Share held, without par value.

9. CAPITAL STOCK (cont'd)

ISSUED

	Class A Subordinate Shares		Class B Shares		Total
	(Number in thousands)		*(Number in thousands)*		
Balance as at September 26, 1998	49,561	$ 155.2	1,215	$ 3.8	$ 159.0
Share issue for cash	170	1.8	21	0.4	2.2
Share redemption for cash, excluding premium of $9.7	(614)	(1.9)	–	–	(1.9)
Conversion of Class B Shares into Class A Subordinate Shares	86	0.3	(86)	(0.3)	–
Balance as at September 25, 1999	49,203	155.4	1,150	3.9	159.3
Share issue for cash	57	1.0	28	0.5	1.5
Share redemption for cash, excluding premium of $3.2	(230)	(0.7)	–	–	(0.7)
Conversion of Class B Shares into Class A Subordinate Shares	65	0.2	(65)	(0.2)	–
Balance as at September 30, 2000	49,095	155.9	1,113	4.2	160.1
Share issue for cash	157	2.8	16	0.3	3.1
Share redemption for cash, excluding premium of $5.4	(298)	(0.9)	–	–	(0.9)
Conversion of Class B Shares into Class A Subordinate Shares	511	2.0	(511)	(2.0)	–
BALANCE AS AT SEPTEMBER 29, 2001	**49,465**	**$ 159.8**	**618**	**$ 2.5**	**$ 162.3**

STOCK OPTION PLAN

The Company has a stock option plan for certain employees with options to purchase up to 5,000,000 Class A Subordinate Shares. The subscription price of each Class A Subordinate Share issued under the plan is equal to the market price of the shares on the day prior to the day the option was granted and must be paid in full at the time the option is exercised. While the Board of Directors determines other terms and conditions for the exercise of options, options may not extend beyond a five-year period from the date the option may initially be exercised, in whole or in part, and the total period may never exceed ten years from the date the option was granted. Options may generally be exercised two years after they were granted on the basis of 20% per year. Under the plan, option holders may elect to receive at the time the options are exercised cash equal to the difference between the market price of the underlying shares and the exercise price of the options.

9. CAPITAL STOCK (cont'd)

The options outstanding as at September 29, 2001, September 30, 2000 and September 25, 1999 and the changes during the year can be summarized as follows:

	Number of options *(Thousands)*	Weighted average exercise price *(Dollars)*
Balance as at September 26, 1998	2,047	
Granted	1,959	18.19
Exercised	(130)	8.32
Settled in cash	(662)	9.05
Cancelled	(14)	18.40
Balance as at September 25, 1999	3,200	
Granted	300	17.34
Exercised	(2)	15.50
Settled in cash	(650)	9.20
Cancelled	(97)	18.69
Balance as at September 30, 2000	2,751	
Granted	443	23.97
Exercised	(25)	8.23
Settled in cash	(547)	13.84
Cancelled	(88)	17.99
BALANCE AS AT SEPTEMBER 29, 2001	**2,534**	

The table below summarizes information regarding the stock options outstanding and exercisable as at September 29, 2001.

	Stock options outstanding			Exercisable options	
Range of exercise prices *(Dollars)*	Number of options *(Thousands)*	Weighted average remaining period *(Months)*	Weighted average exercise price *(Dollars)*	Number of options *(Thousands)*	Weighted average exercise price *(Dollars)*
6.88 to 16.00	162	36.3	13.68	69	12.28
17.00 to 19.60	1,882	44.4	18.00	797	17.96
21.35 to 31.00	490	77.2	23.72	10	21.35
	2,534			**876**	

10. CONTRACTUAL COMMITMENTS

The Company has commitments, with varying terms extending to 2027, to lease premises used for business purposes. The minimum payment balance under these leases as at September 29, 2001 was $286.4. The minimum lease payments over the next five years are as follows: $31.8 in 2002, $31.9 in 2003, $30.4 in 2004, $28.2 in 2005 and $25.4 in 2006.

10. CONTRACTUAL COMMITMENTS (cont'd)

In addition, the Company has lease and lease offer commitments, with varying terms extending to 2021, to lease premises which it sublets to customers, generally under the same terms and conditions. The minimum payment balance under these leases was $314.7 as at September 29, 2001 and the average annual payments for the next five years are $31.9.

11. CONTINGENT LIABILITIES

Endorsements

For certain of its customers with whom business relationships are established, the Company assumes a contingent liability as guarantor of lease agreements with varying terms extending to 2019 for which the annual average lease payment for the next five years is $3.2. The maximum contingent liability under these endorsements as at September 29, 2001 was $26.2. Also, the Company has endorsed loans granted by financial institutions for a maximum amount of $19.4. The balance of these loans as at September 29, 2001 was $13.5. In return, the Company holds a charge on some assets of its customers.

Claims

During the normal course of business, various proceedings and claims are instituted against the Company. The Company contests the validity of these claims and proceedings and management believes that any settlement will not have a material effect on the financial position or on the consolidated earnings of the Company.

12. EMPLOYEE FUTURE BENEFITS

The Company offers several defined benefit and defined contribution plans that provide most employees with pension, other retirement and other post-employment benefits.

The Company's defined benefit and defined contribution plan expense for the year ended September 29, 2001 was as follows:

	2001		2000	
	Pension plans	**Other plans**	Pension plans	Other plans
Defined contribution plans	**$ 4.8**	**$ 0.4**	$ 4.1	$ 0.3
Defined benefit plans				
Current service cost during the year	**3.2**	**0.4**	2.7	0.2
Interest cost	**3.6**	**0.2**	3.0	0.1
Estimated return on plan assets	**(4.4)**	**–**	(3.5)	–
	$ 2.4	**$ 0.6**	$ 2.2	$ 0.3

12. EMPLOYEE FUTURE BENEFITS (cont'd)

The information on defined benefit plans as at September 29, 2001 and for the year then ended was as follows:

	2001		2000	
	Pension plans	**Other plans**	Pension plans	Other plans
ACCRUED BENEFIT OBLIGATIONS				
Balance at beginning of year	**$ 46.0**	**$ 2.7**	$ 37.8	$ 2.7
Current service cost	**3.2**	**0.4**	2.7	0.2
Interest cost	**3.5**	**0.2**	3.0	0.1
Employee contributions	**2.2**	**–**	2.0	–
Plan amendment	**0.4**	**–**	–	–
Benefits paid	**(1.5)**	**(0.4)**	(1.6)	(0.4)
Actuarial (gain) loss	**(0.1)**	**0.1**	2.1	0.1
Balance at end of year	**53.7**	**3.0**	46.0	2.7
PLAN ASSETS				
Fair value at beginning of year	**52.1**	**–**	41.1	–
Actual return on plan assets	**(6.1)**	**–**	7.6	–
Employer contributions	**3.9**	**0.4**	3.0	0.4
Employee contributions	**2.2**	**–**	2.0	–
Benefits paid	**(1.5)**	**(0.4)**	(1.6)	(0.4)
Fair value at end of year	**50.6**	**–**	52.1	–
FUNDED STATUS - (LOSS) SURPLUS	**(3.1)**	**(3.0)**	6.1	(2.7)
Unamortized past service costs	**0.4**	**–**	–	–
Unamortized net actuarial gain (loss)	**8.2**	**0.2**	(2.2)	–
ACCRUED BENEFIT ASSETS (LIABILITIES) *(note 6)*	**$ 5.5**	**$ (2.8)**	$ 3.9	$ (2.7)

Defined benefit plans other than retirement plans are not funded.

12. EMPLOYEE FUTURE BENEFITS (cont'd)

The most important actuarial assumptions used by the Company to determine its accrued benefit obligations as at September 29, 2001 (idem in 2000) were as follows:

	Pension plans	Other plans
Discount rate	7.0%	7.0%
Estimated return on asset plans, long-term	8.5%	–
Future salary levels	4.0%	4.0%

For evaluation purposes, the annual growth rate assumption for the cost of health care for each participant was established at 7.2% in 2001 (5.8% in 2000). Under this assumption, this rate is expected to gradually decline to 3.6% in 2007 and remain at this level subsequently.

13. RELATED PARTY TRANSACTIONS

During the year, sales made to companies controlled by members of the Board of Directors totalled $59.6 (2000 - $76.7, 1999 - $66.1) and sales made to companies subject to significant influence totalled $125.0 (2000 - $122.5, 1999 - $122.4). These transactions were accounted for at the exchange value.

14. SEGMENTED INFORMATION

The Company operates primarily in the Canadian food distribution industry segment. The Company's sales in this segment amounted to $4,537.3 for the year ended September 29, 2001 (2000 - $4,375.6, 1999 - $3,768.9). This segment accounted for more than 95% of operating income, depreciation and amortization, capital asset acquisitions and goodwill for the year ended September 29, 2001 (2000 - over 95%, 1999 - 96%). Segment assets represented approximately 93% of total assets as at September 29, 2001 (2000 - 93%, 1999 - 94%). The Company also operates in the Canadian pharmaceutical distribution industry segment.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of accounts receivable, bank loans and accounts payable approximates their carrying value because of the short-term maturity of these instruments.

The fair value of loans included in investments and of the items included in long-term debt is equivalent to their carrying value since they are at floating interest rates or at interest rates that are comparable to market rates.

16. COMPARATIVE FIGURES

Certain comparative figures for prior years have been reclassified to conform with the presentation adopted in the current year.

	2001 52 weeks	2000 53 weeks	1999 52 weeks	1998 52 weeks	1997 52 weeks
SUMMARY OF RESULTS *(Millions of dollars)*					
Sales	**4,868.9**	4,657.5	3,995.5	3,653.0	3,432.3
Depreciation and amortization	**61.4**	52.5	44.3	39.7	39.2
Operating income	**189.2**	167.0	143.0	129.6	114.8
Financing costs	**5.2**	9.2	5.9	4.3	4.7
Unusual items	**–**	–	15.0	18.0	–
Income taxes	**61.2**	60.5	45.7	41.9	43.9
Net earnings before unusual items	**122.8**	97.3	84.6	75.9	66.2
Net earnings	**122.8**	97.3	76.4	65.4	66.2
FINANCIAL STRUCTURE *(Millions of dollars)*					
Working capital	**12.4**	(25.8)	(50.4)	(22.6)	(1.2)
Current assets	**504.5**	421.8	374.6	343.8	322.3
Current liabilities	**492.1**	447.6	425.0	366.4	323.5
Capital assets	**481.9**	430.9	413.9	321.8	278.7
Goodwill	**171.3**	176.1	180.8	98.2	100.5
Total assets	**1,186.0**	1,059.7	996.2	787.5	725.5
Long-term debt	**55.3**	88.6	144.2	48.6	94.6
Shareholders' equity	**558.0**	461.7	392.3	342.6	296.2
FINANCIAL RATIOS					
Operating income/sales (%)	**3.9**	3.6	3.6	3.5	3.3
Net earnings before unusual items/sales (%)	**2.5**	2.1	2.1	2.1	1.9
Net earnings/sales (%)	**2.5**	2.1	1.9	1.8	1.9
Cash flows from operating activities/sales (%)	**3.0**	3.4	4.9	3.3	2.6
Return on shareholders' equity (%)	**24.1**	22.8	20.8	20.5	24.7
Long-term debt/shareholders' equity (xx:1)	**0.10**	0.19	0.37	0.14	0.32
Total debt/shareholders' equity (xx:1)	**0.11**	0.21	0.38	0.15	0.35
Working capital (xx:1)	**1.03**	0.94	0.88	0.94	1.00
Interest coverage (times)	**36.4**	18.1	21.5	26.0	24.7
COMMON SHARES *(Dollars)*					
Earnings					
Net earnings before unusual items	**2.45**	1.94	1.68	1.49	1.29
Net earnings	**2.45**	1.94	1.51	1.28	1.29
Fully diluted net earnings before unusual items	**2.36**	1.86	1.60	1.45	1.26
Fully diluted net earnings	**2.36**	1.86	1.45	1.25	1.26
Dividend	**0.345**	0.29	0.25	0.205	0.15
Cash flows from operating activities	**2.92**	3.10	3.84	2.35	1.71
Book value	**11.14**	9.20	7.79	6.75	5.80
Market price					
High	**37.74**	20.65	23.45	22.50	17.05
Low	**18.00**	14.75	17.00	14.50	9.25
Number of shares outstanding at year-end *(Millions)*	**50.1**	50.2	50.4	50.8	51.0
Weighted average number of shares outstanding *(Millions)*	**50.1**	50.2	50.5	50.9	51.2
Trading volume *(Millions)*	**25.4**	34.4	23.1	22.2	35.7

BOARD OF DIRECTORS

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Director

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Director

Serge Ferland [2][5]
Director

Paule Gauthier [4][6]
Director

Paul Gobeil [1][5][6]
Vice-Chairman of the Board

Maurice Jodoin [1][3][5]
Chairman of the Board

Maryse Labonté [6]
Director

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Director

Yves LeBel [1]
Secretary

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Chairman of the Executive Committee

Guy Lussier [2][6]
Director

Marie-José Nadeau [4][6]
Director

Bernard A. Roy [1][2][5]
Director

Pierre Shooner [1][3][4]
Director

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Human Resources and Ethics Committee
(4) Member of the Corporate Governance Committee
(5) Member of the Nomination Committee
(6) Member of the Pension Committee

METRO INC.

Pierre H. Lessard
President and Chief Executive Officer

Paul Gobeil
Vice-Chairman of the Board

Alain Brisebois
Senior Vice-President
Wholesale Operations

L.G. Serge Gadbois
Senior Vice-President, Finance

Eric Richer La Flèche
President, Loeb Canada Inc.
Senior Vice-President and General Manager, Super C

Robert Sawyer
Senior Vice-President, Retail

Martin Allaire
Vice-President, Real Estate

Jacques Couture
Vice-President
Information Systems

Paul Dénommée
Vice-President, Controller

Alain Picard
Vice-President
Human Resources

Gilles Caron
Vice-President, Marketing

Marc Cassidy
Vice-President, Grocery
Eastern Québec

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Vice-President, Merchandising
Metro Banner

Robert Comeau
Vice-President, Private Labels

Paul Laporte
Vice-President, Logistics and Distribution

Jean Quenneville
Vice-President, Franchise Operations

Daniel Simard
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Grocery

Lawrence Timmons
Vice-President, Meat

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Vice-President, Food Services

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Vice-President
Affiliate Operations

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Vice-President, Development and Banner Development

SUPER C

Yvan Brochu
Vice-President
Procurement and Merchandising

Denis Pascal
Vice-President Operations

LOEB CANADA INC.

Johanne Choinière
Vice-President and General Manager

Richard Beaubien
Vice-President Operations

McMAHON DISTRIBUTEUR PHARMACEUTIQUE INC.

Denise Martin
Vice-President and General Manager

TRANSFER AGENT AND REGISTRAR
National Bank Trust

BANKERS
National Bank of Canada
Bank of Montreal
Royal Bank of Canada
Caisse centrale Desjardins
Toronto-Dominion Bank

STOCK LISTING
Toronto Stock Exchange
Ticker Symbol: MRU.A

AUDITORS
Ernst & Young LLP
Chartered Accountants

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The Annual Information Form may be obtained from the Investor Relations Department:
Tel.: (514) 643-1055
E-mail: finance@metro.ca

Vous pouvez vous procurer la version française de ce rapport auprès du service des relations avec les investisseurs.

METRO INC.'s corporate information and press releases are available on the Internet at the following address:
http://www.metro.ca

ANNUAL MEETING
The Annual General Meeting of Shareholders will be held on January 29, 2002 at 11:00 a.m. at the Sheraton Centre
1201 René-Lévesque West
Montréal, Québec H3B 2L7

DIVIDENDS*
2002 Fiscal Year

Declaration date	Record date	Payment date
January 28, 2002	February 12, 2002	March 1, 2002
April 9, 2002	May 8, 2002	June 3, 2002
August 6, 2002	August 18, 2002	September 3, 2002
September 25, 2002	November 8, 2002	December 2, 2002

*** Subject to approval by the Board of Directors.***

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METRO INC

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